

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7081

Investigation into Least-Cost Integrated Resource)
Planning for Vermont Electric Power Company, Inc.'s)
Transmission System)

MEMORANDUM OF UNDERSTANDING

With respect to the above-referenced docket, the Vermont Department of Public Service and those entities on behalf of which a signature appears at the end of this document stipulate and agree to the following provisions on behalf of themselves and their successors and assigns.

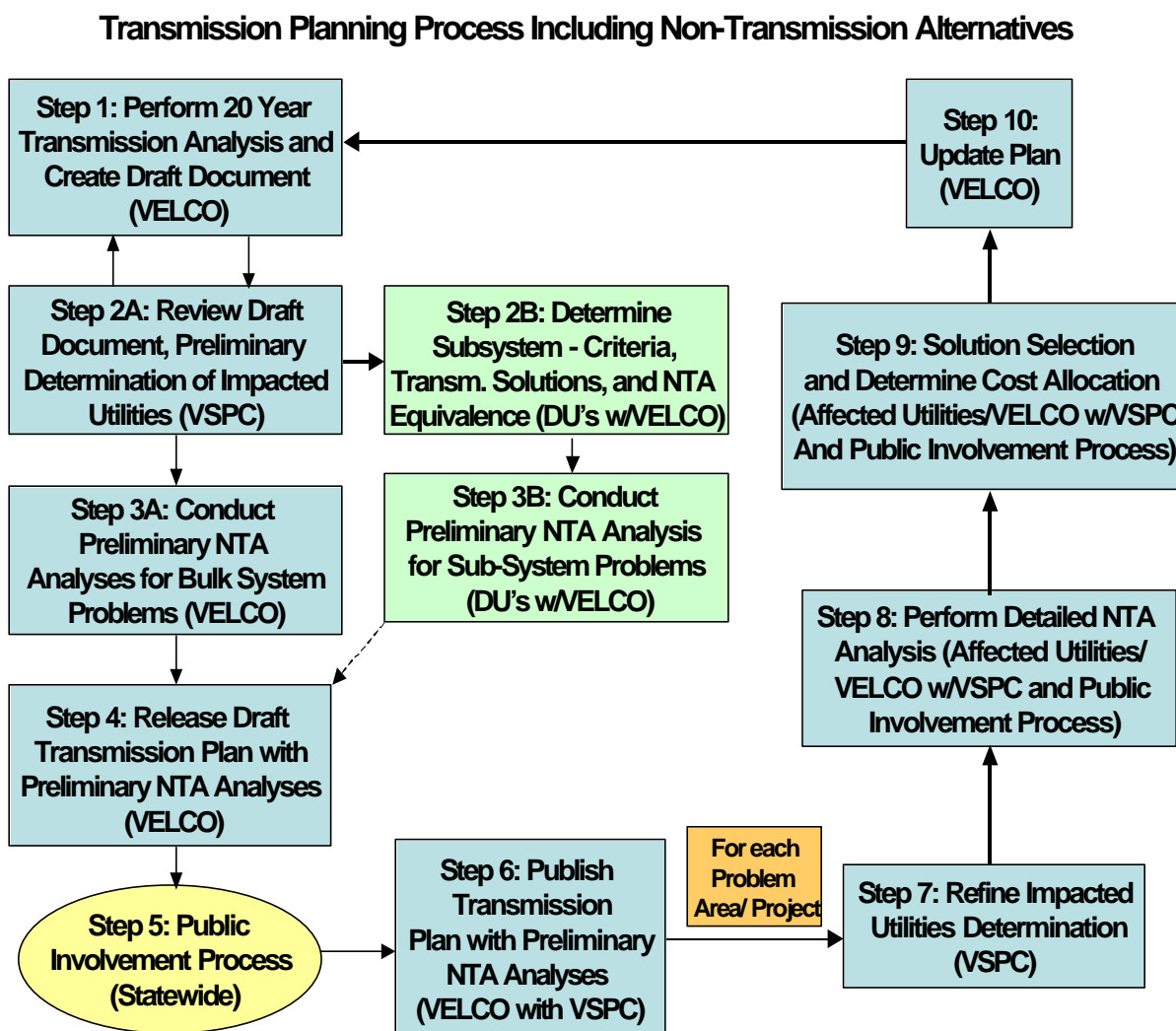
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Section I: Flow Chart

- The flow chart that immediately follows this paragraph represents a visual description of the least-cost integrated resource planning process agreed to by the Parties in this MOU for Vermont's Transmission system. Text of this document is organized according to the steps outlined in the flow chart. In the event of conflict between the text of this MOU and the flow chart, the text of this MOU shall control.



Section II: Grouping of Reliability Deficiencies

2. Through this MOU, the term "Reliability Deficiency" is used in the singular, e.g., "each Reliability Deficiency" or "a Reliability Deficiency." Notwithstanding such use, an Affected Utility or Utilities may group individual Reliability Deficiencies for the purpose of analysis, public involvement processes, or implementation of the selected solution, where such Reliability Deficiencies are inter-related or of similar nature, are addressed by a common solution, or are reasonable to group together based on geography.

Section III: The Long-Range Transmission Plan (Steps 1 through 6)

3. Section III of this MOU sets forth the agreements of the Parties related to the process of creating and publishing the Long-range Transmission Plan. They apply to the process of preparing and publishing each Plan to be filed with the Board and Department, under 30 V.S.A. § 218c(d), on and after July 1, 2009, except that Attachment F states the extent to which Step 3 applies to Reliability Deficiencies identified in the Plan filed on or about July 1, 2006. Nothing in this MOU shall be construed to require a DU to publish a Long-range Transmission Plan independent of the Plan to be published by VELCO and described herein. Except as provided herein, radial, non-networked, DU Subsystem facilities that do not serve the CVPS central area¹ shall be addressed within the IRP of the relevant DU only and not included within the Plan unless they are affected by a Reliability Deficiency associated with facilities that are subject to the Plan or are proposed to be looped or networked.

Step 1 – VELCO Performs 20-Year Transmission Analysis and Creates Draft Document

4. VELCO will take the lead in performing an analysis of Transmission related needs and create a draft Plan document. VELCO's analysis in preparing the draft Plan will include identification of potential Reliability Deficiencies for the Bulk Transmission System and Subsystem.

¹As used above, the CVPS central area represents the networked 46 kV subtransmission system between the Velco Middlebury 115/46 kV and Velco Chelsea 115/46 kV feed including 46 kV radials to Weybridge, Middlebury and Sherburne.

5. In preparing the Plan, VELCO will use a 20-year planning horizon. The Parties recognize that certainty of forecasts, details, and pertinent facts and circumstances decreases as a planning entity looks further out over a 20-year horizon and that this decrease in certainty is particularly acute on the Subsystem where changes in load can have a more significant impact on the identification and resolution of Reliability Deficiencies. As a result, greater attention should be placed on Transmission projects within the first 10 years of the planning horizon and on large Transmission projects that are expected to be needed regardless of when they are needed within the planning horizon.
6. In preparing the Plan, VELCO will be responsible for assessing forecasted demand, supply conditions, system configuration, and usage levels of the Bulk Transmission system and Subsystem in determining whether Reliability Deficiencies exist or will arise, accounting for local or regional changes in load with implications for the assessment. In preparing its own forecast to use in making the assessment, VELCO will use the best data available, and may utilize demand and supply forecasts, and related information, prepared by other entities, such as DPS, DUs, and ISO-NE, as well as demand-side savings projected by the EEU.
7. DPS and the DUs agree to make reasonable efforts to time the development and update of their forecasts to accommodate VELCO's meeting the schedule requirements relating to preparing the Plan imposed by 30 V.S.A. § 218c(d). This paragraph shall not impose a duty on any party to prepare a forecast that it otherwise would not prepare.
8. In preparing their forecasts, DPS, VELCO, and the DUs agree to make reasonable efforts to coordinate major planning assumptions. The Parties request that the Board require the EEU to make such efforts.
9. In the draft Plan, VELCO will describe each potential Bulk Transmission System and Subsystem Reliability Deficiency that it has identified. For each such Reliability Deficiency, VELCO will include a preliminary identification of the Affected Utilities. For each such Reliability Deficiency that is Bulk Transmission System or Predominantly Bulk System, VELCO will identify the likely Transmission solution and the costs thereof, and identify the performance specifications that NTAs will need to meet to achieve

Equivalence. The draft Plan also will include the appendices described in Step 10, below.

10. In preparing the draft Plan, VELCO will work with ISO-NE to identify critical load levels for the identified Reliability Deficiencies and when those levels are expected to be reached in relation to the load forecast utilized in the Plan, noting any significant uncertainties with respect to the Subsystem, and VELCO will allow ISO-NE to review working drafts of the Plan. The Parties understand that, to the extent that potential Transmission solutions affect that portion of the Bulk Transmission System administered by ISO-NE, they will be the subject of consideration during the regional planning processes of ISO-NE. Nothing in this paragraph or the approval thereof constitutes a waiver by any Party or the Board of any rights.
11. During the course of VELCO's preparation of the draft Plan and associated analysis, it shall confer with DUs for the purpose of obtaining information and comment. This paragraph shall not require VELCO to delay the draft Plan such that VELCO risks not being able to meet schedule requirements relating to preparing the Plan imposed by 30 V.S.A. § 218c(d) or this MOU.

Step 2A – VSPC Review of Draft Document, and Preliminary Determination of Affected Utilities

12. VELCO will provide the draft Plan, including, all assumptions, forecasts, and analysis to the VSPC.
13. After consultation with the VSPC, VELCO and the DUs will determine whether each Reliability Deficiency identified in the draft Plan is Bulk Transmission System, Predominantly Bulk System, Predominantly Subsystem, or Subsystem. In the event that VELCO and the DUs cannot agree on the determination described in the immediately preceding sentence, the VSPC shall make the determination by vote, which shall be binding on the voting participants of the VSPC unless a request for dispute resolution by the Board under paragraph 111 is filed within 30 days of the VSPC's determination. Nothing in this MOU or the approval thereof constitutes a waiver by the Board or any Party of any right to disagree with a determination of VELCO and the DUs under this paragraph.
14. The VSPC will make a preliminary determination of the likely Affected Utilities for each Reliability Deficiency identified in the draft Plan.

15. By 60 days after VELCO's submission of a complete draft Plan to the VSPC, the VSPC will collect the comments of its members in memorandum form, and convey such comments to VELCO. VELCO shall incorporate these comments into its draft Plan or respond to the VSPC in writing as to why they were not incorporated.

Step 2B – Determine Subsystem Criteria, Transmission Solutions, and NTA Equivalence

16. For each potential Reliability Deficiency described in the draft Plan that is Subsystem or Predominantly Subsystem, each Affected Utility shall confirm the existence and description of such potential Reliability Deficiency or provide VELCO with a statement of the reasons for its determination that the potential Reliability Deficiency does not constitute a Reliability Deficiency. Where the Affected Utility or Utilities conclude that a matter does not in fact constitute a Reliability Deficiency, the Plan shall state this conclusion and the supporting reasons and the Plan need not characterize the matter as a Reliability Deficiency. Nothing in this MOU or the approval thereof constitutes a waiver by the Board or any Party that is not the Affected Utility or Utilities of any right to disagree with the conclusion so stated.
17. Each DU shall identify and provide VELCO with information on any Subsystem Reliability Deficiencies not identified in the draft Plan known to the DU through its responsibility to monitor developments on its Transmission and distribution system under paragraph 8 of the Phase 2 Docket 6290 MOU² or otherwise. For each such Reliability Deficiency, such information shall, at a minimum, meet the requirements of 30 V.S.A. § 218c(d)(1)(A)-(D).
18. For each Reliability Deficiency that is Subsystem or Predominantly Subsystem, each Affected Utility shall be responsible to define Subsystem reliability criteria, identify the likely Transmission solution(s), and identify the performance specifications that NTAs will need to meet to achieve Equivalence; provided, however, that where a Reliability Deficiency is Predominantly Subsystem, those elements that are Bulk Transmission System shall meet the design, operating and availability criteria applicable to the Bulk

²Paragraph 8 of the Phase 2 Docket 6290 MOU states, in relevant part, "Each DU that signs this MOU shall monitor developments on its T&D system."

Transmission System.

19. Where a Subsystem or Predominantly Subsystem Reliability Deficiency involves more than one Affected Utility, the Affected Utilities must formally select a decision-making structure among them with respect to the tasks necessary to achieve the responsibilities assigned to them under this Step 2B and Step 3B below.
20. An Affected Utility or group of Affected Utilities may request, and VELCO may agree, that VELCO perform analysis or other work relevant to the responsibilities assigned to Affected Utilities under this Step 2B and Steps 3B and 8 below.

Step 3A – Preliminary NTA Analysis for Bulk System and Predominantly Bulk System

21. For each Reliability Deficiency identified in the draft Plan for which the likely Transmission solution is Bulk Transmission System or Predominantly Bulk System, VELCO will perform a Preliminary NTA Analysis. The Parties agree that this Preliminary NTA Analysis will utilize a simplified screening tool with assumptions about the potential and cost for Generation and DSM options. The Preliminary NTA Analysis also shall consider whether NTAs can be implemented in a timely manner to address the Reliability Deficiency. The Preliminary NTA Analysis will be designed to screen from further analysis only those projects that have no reasonable likelihood of being cost-effectively addressed by NTAs. By December 31, 2007, or within 12 months of Board approval of this MOU, whichever is later, the VSPC will make a compliance filing that includes the screening tool to be used under this paragraph. This filing also may propose the use of the same screening tool for Preliminary NTA Analysis under this paragraph and paragraph 25, below. The DUs and DPS agree to work with VELCO in good faith in the development of this tool, which may be updated from time to time. The VSPC shall file any updates to the screening tool as compliance filings with the Board. In the event of dispute concerning the screening tool, a Party may request that the Board resolve the dispute after notice and opportunity for hearing. The Parties agree that, in the event the Department finds it necessary to retain personnel or entities outside the Department to assist it with respect to matters arising under this paragraph, the expenditures for such personnel or entities shall be eligible for allocation to the Vermont Utilities in accordance with the procedures set

forth in 30 V.S.A. § 21, subject to the right of a Vermont Utility to petition the Board concerning the reasonableness and necessity of such expenditures.

22. VELCO will include in the Plan the results of the preliminary NTA Analyses it performs under paragraph 21, above. It will also include the results of the Preliminary NTA Analyses performed under paragraph 25, below, which are completed in time for VELCO to meet the schedule requirements concerning the preparation of the Plan contained in 30 V.S.A. § 218c(d)(1).
23. For any Reliability Deficiency addressed under paragraph 21, above, unless the preliminary NTA Analysis indicates that NTAs are not potentially viable alternatives to a Transmission solution, the deficiency will undergo a more detailed NTA Analysis as outlined in Step 8. If a detailed NTA Analysis is not recommended for a particular Reliability Deficiency, VELCO will state the reasons for such in the Plan. Nothing in this paragraph constitutes a waiver of the right of any Party with respect to a determination that detailed NTA Analysis should not be performed.
24. The Parties acknowledge that, at the time the Preliminary NTA Analysis is complete, VELCO may provide the Preliminary NTA Analyses to ISO-NE for review and comment, including but not limited to comment concerning Equivalence, and will incorporate any ISO-NE comments concerning the Preliminary NTA Analysis into the Plan. Nothing in this MOU or the approval thereof constitutes a waiver by any Party or the Board of any rights to disagree with comments of ISO-NE.

Step 3B – Preliminary NTA Analysis for Subsystem Problems

25. For each Reliability Deficiency for which the likely Transmission solution is Subsystem or Predominantly Subsystem, each Affected Utility will be responsible for performing a Preliminary NTA Analysis. If such a Reliability Deficiency involves more than one Affected Utility, this responsibility may be satisfied by the preparation of a joint Preliminary NTA Analysis. The Affected Utility or Utilities shall consult with VELCO with respect to the Preliminary NTA analysis if the Reliability Deficiency will adversely impact the Bulk Transmission System or any component thereof. Preliminary NTA Analysis under this paragraph will utilize Attachment B to the Phase 2 Docket 6290 MOU

- entitled Form for Selection of Distribution Utility Planning Areas (Attachment B to this MOU) and the DSM scoping tool developed pursuant to paragraph 10b of the Phase 2 Docket 6290 MOU³ or such other mechanism as the Board may authorize subsequent to approval of this MOU. The results of any such analysis should be included in the Plan.
26. For any Reliability Deficiency addressed under paragraph 25, above, unless the preliminary NTA Analysis indicates that NTAs are not potentially viable alternatives to a Transmission solution, the Reliability Deficiency will undergo a more detailed NTA Analysis as outlined in Step 8. If a detailed NTA Analysis is not recommended for a particular Reliability Deficiency, each Affected Utility will delineate the reasons and provide such written delineation to VELCO, which shall include the written delineation in the Plan. Where a potential Reliability Deficiency involves more than one Affected Utility, the Affected Utilities may comply with the delineation requirements of this paragraph collectively.
27. Notwithstanding the requirements of paragraphs 25 and 26, above, respecting inclusion in the Plan, the Parties recognize that, during the course of preparing a Plan, in some instances the analyses of Subsystem Reliability Deficiencies identified in Steps 1 and 2 may not be completed in time for inclusion during Steps 4 through 6 of the process for the same Plan. For any such instance:
- a. That same Plan shall identify the status of the determination of the Subsystem reliability criteria and performance of the preliminary NTA Analysis, including but not limited to identification of the selected project decision-making structure;
 - b. Each Affected Utility shall take all reasonable measures to move forward with defining the Subsystem reliability criteria and performance of the preliminary NTA

³In relevant part, paragraph 10 of the Phase 2 Docket 6290 MOU states: "The Parties agree that the Collaborative shall continue after October 2, 2002 for a three-month period to address the following items: . . . b. A tool for estimating DSM potential and cost." In addition, paragraph 16 of the Phase 2 Docket 6290 MOU states "reasonable and good faith application" of the form for selection of DUP target areas "establishes a rebuttable presumption that the DU's decision complies with the Guidelines."

Analysis;

- c. All reasonable efforts shall be made to include the results of the Preliminary NTA Analysis and any delineation of reasons under paragraph 26, above, in the first IRP of an Affected Utility that is submitted before the next Plan; and
- d. In any event, the results of the Preliminary NTA Analysis and any delineation of reasons under paragraph 26, above, shall be included in the next Plan.

Step 4 – VELCO Releases Draft Transmission Plan with Preliminary NTA Analyses

28. VELCO will release the Draft Transmission Plan for public review; such Draft Transmission Plan shall include at least the following:

- a. Identification of existing and potential Reliability Deficiencies by location within Vermont;
- b. An estimate of the date, and identification of the local or regional load levels and other likely system conditions at which the identified Reliability Deficiencies, in the absence of further action, occurred or likely would occur;
- c. An identification of each Reliability Deficiency for which a Transmission solution is not planned and a statement of the reason(s) why a Transmission solution is not planned;
- d. For each Reliability Deficiency for which a Transmission solution is planned, an action plan that:
 - i. Describes the likely Transmission solution to the Reliability Deficiency;
 - ii. Identifies the projected date a Transmission solution would be placed into service, given the present maturity of the project and understanding of its specific components, and identifies any phasing of the project over time, if known;
 - iii. Estimates the likely costs of the Transmission solution;
 - iv. Identifies potential obstacles to the realization of the Transmission solution; and
 - v. States the proposed prioritization, if any, of further analysis, decisions on solution selection, and implementation of a solution with respect to those

Reliability Deficiencies, and the reason(s) for each priority assignment;

- e. The VSPC's preliminary determination of Affected Utilities under paragraph 14, above;
- f. The comments forwarded by the VSPC under paragraph 15, above, or a responsive statement delineating why VELCO disagrees with a particular comment;
- g. The results of preliminary NTA Analyses conducted under paragraph 21 , above, and the delineation of reasons required by paragraph 23, above;
- h. Subject to paragraph 27, the results of preliminary NTA Analyses conducted under paragraph 25, and the delineation of reasons required by paragraph 26, above; and
- i. Identification of the Lead DU assigned to oversee and coordinate the tasks necessary to complete Step 8.
- j. For each Reliability Deficiency that is Bulk Transmission System or Predominantly Bulk System, or for which Preliminary NTA Analysis has been completed for the Subsystem in accordance with paragraphs 25 and 27, above, identification of the performance specifications for NTAs to achieve Equivalence; and
- k. For each Reliability Deficiency that is Subsystem or Predominantly Subsystem, and for which necessary decisions or analyses under Steps 1 through 3 are not complete, a statement of the forecasted date(s) by which each such necessary decision or analysis will be made or completed.

Step 5 – Statewide Public Involvement Process

- 29. VELCO, in consultation with the VSPC, will design a public involvement process that complies with 30 V.S.A. § 218c(d)(2), and is consistent with Section VIII of this MOU on public involvement. Any meeting held as part of the public engagement process will be conducted in a deliberative format, with VELCO engaging meeting attendees in a dialogue and responding to their comments.

Step 6 – Publish Transmission Plan with Preliminary NTA Analysis

- 30. VELCO will consider the public input obtained during Step 5, revise the draft Plan as needed, and publish the Plan including but not necessarily limited to all items required by this MOU to be in the draft Plan, a summary describing the significant comments received

and VELCO's response to the comments, and any appendices required under Step 10.

Section IV: Project-Specific Analysis and Alternative Selection (Steps 7 through 9)

31. Section IV of this MOU applies to the analysis and selection of solutions to Reliability Deficiencies identified in the Plan. The transition plan, Attachment F to this MOU, states, by study area or project, the Reliability Deficiencies identified in the Plan filed under 30 V.S.A. § 218c(d)(1) on or around July 1, 2006, concerning which the Vermont Utilities will complete activities under Steps 3 and 7 through 9 by July 1, 2010.

Step 7 – Confirm or Refine Affected Utilities Determination

32. For each Reliability Deficiency identified through the processes described in Steps 1 through 6, the VSPC shall confirm or refine the preliminary determination of Affected Utilities described in Step 2, taking into account any additional facts and insights gained from the preliminary NTA Analyses and public involvement process that occurred during Steps 3 through 6, and either shall confirm the Lead DU chosen by and among the Affected Utilities or, in the event the Affected Utilities are unable to agree on a Lead DU, shall select a Lead DU under paragraph 33, below, that will be responsible for ensuring that the detailed NTA Analysis required under Step 8 is completed. Each Vermont Utility participant in the VSPC shall be responsible to meet the obligations of this paragraph within a time frame that does not affect the ability of an Affected Utility to meet the obligations of paragraphs 47 and 50. To the extent that a Vermont Utility fails to meet the obligations of this paragraph and such failure causes another Affected Utility to be unable to meet the obligations of paragraphs 47 and 50, said Affected Utility shall not be liable for penalties or disallowances for failure to meet the obligations of paragraphs 47 and 50, provided the Affected Utility otherwise has made all reasonable efforts to meet those obligations.

Step 8 – Perform Detailed NTA Analysis

33. Vermont Utilities are responsible for integrating consideration of NTAs into the analysis of solutions to Reliability Deficiencies related to Transmission facilities. To help facilitate least-cost planning responsibilities of the Vermont Utilities with respect to Transmission facilities under 30 V.S.A. § 218c, each Affected DU agrees to supply the human and

financial resources and information necessary to conduct or oversee the conduct of detailed NTA Analysis, including identification of alternatives, with respect to the Reliability Deficiencies identified in the Plan. For each Reliability Deficiency, or grouping of Reliability Deficiencies, the Affected Utilities shall identify a Lead DU among themselves responsible for ensuring that detailed NTA analyses are completed in a timely manner in accordance with this MOU. Selection of a Lead DU shall not preclude any Affected DU from supplying personnel to assist in an NTA Analysis. If the Affected Utilities cannot agree on a Lead DU to ensure completion of the NTA Analysis, the VSPC shall take a vote to assign the detailed NTA Analysis to one of the Affected DUs in accordance with paragraphs 70.h and 88 of this MOU. This vote shall be binding on the voting participants of the VSPC absent a request for dispute resolution by the Board under paragraph 111, below, made by one or more of the Affected DUs within 30 days of the VSPC vote. Any DU assigned by the VSPC to complete a detailed NTA Analysis shall be entitled to recover from the Affected DUs an appropriate allocation of the costs associated with such analysis as part of any cost allocation agreements entered into in relation to the project. To the extent that a Vermont Utility, other than the Lead DU, fails to meet the obligations of this paragraph and such failure causes a Lead DU to be unable to complete the NTA Analysis in a timely manner under this Step 8, said Lead DU shall not be liable for penalties or disallowances or to other Vermont Utilities for such failure, provided the Lead DU otherwise has made all reasonable efforts to complete the NTA Analysis in a timely manner. Where the Lead DU is selected by binding vote of the VSPC, said Lead DU may, if necessary, request additional time for completion of the NTA Analysis through the priority list mechanism described in paragraph 51, below, which request the VSPC shall not unreasonably decline or delay.

34. Notwithstanding the provisions of paragraph 33, above, if a Reliability Deficiency is Subsystem or Predominantly Subsystem and affects only one DU, the Affected DU shall be responsible for the detailed NTA Analysis with respect to the deficiency. The Affected DU shall act to ensure the timely conduct of NTA Analysis, including the identification of alternatives, with respect to the Deficiency.

35. In performing NTA Analysis, including but not limited to identification of alternatives, a Vermont Utility may utilize in-house expertise and outside contractor(s). Any such outside contractors shall be chosen after a competitive bid process that commences with an RFP.
36. In identifying supply-side alternatives, a Vermont Utility shall consult with any entity appointed by the Board pursuant to 30 V.S.A. § 8005(b).
37. VELCO and ISO-NE shall be consulted during the performance of detailed NTA Analysis if the Reliability Deficiency or the likely Transmission solution thereto is Bulk System or Predominantly Bulk System or would adversely affect the Bulk System or any component of the Bulk System. This consultation shall include, but not be limited to, whether alternatives to the likely Transmission solution will provide Equivalence. Nothing in this MOU or the approval thereof constitutes a waiver by any Party or the Board of any rights to disagree with VELCO or ISO-NE regarding the results of this consultation.
38. The Parties agree to a rebuttable presumption that, during the course of a detailed NTA Analysis, a market test shall be conducted to identify alternatives. A market test could include an RFP or a public solicitation of interest. Where there is a reasonable likelihood of the existence of market alternatives to address a Reliability Deficiency, an RFP should be issued soliciting proposals to address the deficiency. Vermont Utilities may rely on a variety of mechanisms to determine whether an RFP is warranted, including the "open door" policy under paragraph 39, below, their own analysis, or a public solicitation of interest. If a Vermont Utility consults with experts to determine whether a market test should be performed, it shall document the responses of those experts, and their identities, and retain such documentation. If a market test is not performed during the course of a detailed NTA Analysis, the responsible Vermont Utility shall bear the burden to demonstrate the reasonableness of the decision not to perform such a test in any proceeding before the PSB to which the performance of a detailed NTA Analysis under this MOU is relevant.
39. The Parties agree that an "open door" policy shall be in effect during the development, analysis, and recommendation of alternatives to address a Reliability Deficiency. By "open door" policy, the Parties mean a policy of encouraging vendors of potential NTAs

voluntarily to contact Vermont DUs and the DPS, and for those vendors and Parties actively to meet and discuss those potential NTAs. Once chosen, the Lead DU for performance of NTA Analysis with respect to a given Reliability Deficiency will be the contact for that deficiency under this "open door" policy and will designate the means by which that organization may be contacted under the policy.

40. Once alternatives to the likely Transmission-only solution to a Reliability Deficiency have been identified, each alternative, including the Transmission-only solution, will be analyzed under the standard described in 30 V.S.A. § 218c(a)(1). This analysis will include an evaluation of each alternative under the societal test, and an evaluation of each alternative with respect to other factors, including but not limited to:
 - a. The relative rate and bill impacts on Vermont consumers (analyzed both with and without Vermont's share of the regional PTF cost allocation, and taking into account RECs and tax credits), assessed on a life-cycle basis over the life of each alternative;
 - b. The relative financial feasibility of each alternative, including viability as a stand-alone project, whether amortization and financing is required, which entity is in the best position to undertake financing, and credit rating impacts on affected persons or entities;
 - c. The ability of each alternative to be implemented in timely manner to address the Reliability Deficiency, including but not limited to issues relating to siting, local environmental impacts, obtaining necessary property rights, securing required governmental approvals, and existence of or necessity to construct supporting infrastructure;
 - d. The relative economic benefits to the state, including access to other power markets; and
 - e. Other significant relevant costs and benefits particular to the set of alternatives under consideration.
41. Upon approval by the Board of this MOU, paragraph 34 of the Docket 5980 MOU and paragraph 2f, footnote 5, and paragraph 7 of the DUP Guidelines shall be deemed to

authorize consideration of all evaluations described in paragraph 40, above.⁴

42. Those Parties who were signatories to the Phase 2 Docket 6290 MOU agree that, upon approval of this MOU, paragraph 6 of that MOU shall be considered to apply to all Reliability Deficiencies regardless of whether they are the subject of an area-specific collaborative and that the phrase "appropriate factors" in that paragraph shall be deemed to include all factors described in paragraph 40, above.⁵
43. Those Parties who were signatories to the Phase 2 Docket 6290 MOU agree that, upon

⁴Paragraph 34 of the Docket 5980 MOU provides:

When considering the cost-effectiveness of alternatives to a new T&D investment, a DU shall choose the optimal investment strategy, determined under the societal test as defined in Docket No. 5270, subject to the constraints that the chosen strategy produces positive electric system net benefits including T&D cost savings, energy and capacity, and that it will enable the DU to operate its electric system in a safe and reliable manner.

Paragraph 2f of the DUP Guidelines states: "Include other utilities' facilities in assessing options for the incumbent utility to serve its customers' loads at societal least cost."

Footnote 5 of the DUP Guidelines states, in relevant part: "The purpose of DUP is to allow the utility to continue to serve its customers and its service territory at the minimum cost to society."

Paragraph 7 of the DUP Guidelines states, in relevant part: "Select from among the available options (new T&D investment, DSM, and/or DG, with various levels of reconfiguration and use of other utilities' facilities) based on minimizing net societal costs, reflecting any of the following that are significant"

⁵Paragraph 6 of the Docket 6290 MOU states:

It is the Parties' intention that, for areas for which there is an ASC, DUP analysis and implementation, including setting levels of resources to be devoted to acquisition of T&D facilities, DSM or DG, should be determined in accordance with 30 V.S.A. § 218c(a)(1), the Guidelines and paragraph 34 of the Docket 5980 MOU and giving due consideration to other appropriate factors, including but not limited to resource availability, financial constraints, and financial effects on the utility and its customers.

approval of this MOU, paragraphs 8 (b) through (e) of the Phase 2 Docket 6290 MOU shall no longer be effective.⁶

44. To promote consistency, the Parties agree that the DUP Guidelines should be consulted as guidance, to the extent they are applicable, during the performance of NTA Analysis for Reliability Deficiencies which are Bulk System or Predominantly Bulk System.
45. The Parties agree to a rebuttable presumption that avoided costs to be used during NTA Analysis shall be the same as those in use for System-wide Programs at the time an NTA Analysis is performed. A party may rebut that presumption by affirmatively producing different avoided costs and evidence in support of those different costs. To the extent this paragraph is inconsistent with paragraph 11a of the Phase 2 Docket 6290 MOU, those Parties hereto that were signatories to the Phase 2 Docket 6290 MOU intend to modify said paragraph 11a to make it consistent with the provisions of this paragraph.⁷
46. The Parties agree to a rebuttable presumption that the externality adders and risk adjustments to be accounted for in NTA Analysis for Reliability Deficiencies that are Bulk Transmission System or Predominantly Bulk System, or where the likely Transmission-only solution is Bulk Transmission System or Predominantly Bulk System, shall be those contained in Attachment A-3 to the Phase 2 Docket 6290 MOU (found in this MOU as Attachment A). A party may rebut that presumption by affirmatively producing evidence in support of a different value for an externality adder or risk adjustment. The DPS may update the presumptive externalities and risk adjustment adders to be used in NTA Analysis under this MOU and the Phase 2 Docket 6290 MOU as appropriate. Such updates shall be filed with the Board and shall become effective only upon issuance of a

⁶Paragraphs 8(b) through (e) address the creation of area-specific collaboratives under the Docket 6290 MOU for newly emerging areas requiring DUP analysis and implementation and includes agreements pertaining to such areas in the event DPS declines to agree to the creation of a collaborative.

⁷Paragraph 11a of the Phase 2 Docket 6290 MOU states: "Attachment A-1, entitled 'Direct Avoided Costs,' states the avoided generation and capacity costs and default hourly load shape adjustment that shall be used in DUP analysis and implementation."

Board order approving the updates. Prior to issuing such an order, the Board shall provide an opportunity for other parties to file written comments and request a technical workshop or formal hearing. To the extent this paragraph is inconsistent with paragraph 11 of the Phase 2 Docket 6290 MOU, those Parties hereto that were signatories to the Phase 2 Docket 6290 MOU intend to modify said paragraph 11 to make it consistent with the provisions of this paragraph.⁸ The Parties agree that, in the event the Department finds it necessary to retain personnel or entities outside the Department to assist it with respect to matters arising under this paragraph, the expenditures for such personnel or entities shall be eligible for allocation to the Vermont Utilities in accordance with the procedures set forth in 30 V.S.A. § 21, subject to the right of a Vermont Utility to petition the Board concerning the reasonableness and necessity of such expenditures.

47. Detailed NTA Analysis for all Reliability Deficiencies identified in the Plan shall be completed within one year of the Plan's publication unless a different date is established for a given Reliability Deficiency in accordance with paragraph 51, below, or under the transition plan appended to this MOU as Attachment F.
48. For each NTA Analysis, the Vermont Utility responsible for conducting or overseeing the conduct of the analysis shall regularly report to the VSPC on the status of preparation of the analysis.
49. The Vermont Utility responsible for ensuring performance of the NTA Analysis will conduct one or more public involvement processes to involve affected persons and the public generally in the analysis of alternatives and the recommendation of an alternative to address Reliability Deficiencies identified in the Plan. These processes shall be designed consistently with paragraphs 91 through 94 of this MOU. This paragraph shall not apply to Reliability Deficiencies that were determined under paragraphs 23 and 26, above, not to require detailed NTA Analysis.

⁸In relevant part, Paragraph 11 of the Phase 2 Docket 6290 MOU included agreements to externality adders and risk adjustments that would be “in effect unless and until modified by order in a subsequent docket.”

Step 9 – Solution Selection and Cost Allocation

50. For each Reliability Deficiency identified through the process described in Steps 1 through 6, above, or in the initial Plan filed under 30 V.S.A. § 218c(d)(1), the Affected Utility or Utilities, within two years from the publication of the Plan, shall select a solution(s) to address the Reliability Deficiency and the strategy for implementing such, unless a different date is established for the Reliability Deficiency under paragraph 51, below or Attachment F, or the deficiency is subject to paragraph 102, below. If a Reliability Deficiency involves more than one Affected DU, each such Affected DU also is responsible within the same two-year period to resolve any dispute concerning the decisions described in the immediately preceding sentence and the allocation of the cost of the selected solution(s).
51. Following the filing of a Plan under 30 V.S.A. § 218c(d), and given a proposal from the Affected Utilities, the VSPC will create a priority list concerning Reliability Deficiencies identified in the Plan, which list shall be promptly filed with the Board for its information along with any comments from VSPC participants. For each Reliability Deficiency included on the list, the filing shall at a minimum state: (a) the reason for the priority assigned to the deficiency; (b) if no likely Transmission solution has yet been identified, the date by which further analysis of Transmission solutions to the deficiency is proposed to be completed; (c) the date by which NTA analysis is proposed to be completed; and (d) the date by which a decision will be made concerning solution selection, implementation strategy, and cost allocation. Upon filing by the VSPC, the NTA Analysis and decisions on solution selection, implementation strategy, and cost allocation for the subject Reliability Deficiencies shall be made in accordance with the dates contained on the filed priority list unless the Board directs otherwise. Subsequent to such filing, the Affected Utility or Utilities may make another informational filing to the Board to extend a deadline contained therein, stating the new deadline and the reason for the extension. The Department, all other participants in the VSPC, and all Parties shall be provided notice and a copy of the filing at the time priority lists or extensions thereof are submitted under this paragraph. At any time, any participant in the VSPC or Party may request Board review of

whether such a priority list or extension should be modified, and the Board may initiate such review on its own motion.

52. By the date for decision on solution selection and cost allocation required under paragraph 50 or 51, above, the Affected Utility or Utilities may decide, on the basis of a completed NTA analysis, that it is in the best interests of the consuming public to defer selection, for a specified period, of a solution(s) to address a Reliability Deficiency. The Parties agree that the intent of allowing such a deferral is to provide flexibility to address a situation in which analysis has been completed and an alternative could be recommended, but other circumstances demonstrate that it is in the best interests of the consuming public to keep options open. Grounds for such a decision to defer may not include failure to complete NTA analysis or failure among Affected Utilities to agree upon the alternative to address the Reliability Deficiency or allocate the costs thereof. The Affected Utility is or Utilities are responsible to document any such decision. The VSPC shall include documentation of any such decision to defer in the next-occurring report to the Board under paragraph 89, below.
53. To the extent that the Affected Utilities have not selected a solution(s) or implementation strategy or agreed upon cost allocation with respect to a Reliability Deficiency as required under paragraphs 50 or 51, or made a decision to defer solution selection in accordance with paragraph 52 above, the VSPC promptly shall issue an advisory vote recommending its preferred decision on solution(s), implementation strategy, and cost allocation.
54. An implementation strategy for a solution to a Reliability Deficiency should include, without limitation, consideration of the appropriate entity or entities to implement the solution and to coordinate such implementation, the necessary timing and deployment of resources, ongoing monitoring and evaluation of the performance of the selected solution in resolving the deficiency, and appropriate measures to ensure that the selected solution meets cost and performance expectations.
55. If, in the prudent discharge of its obligations, a Vermont Utility determines at any time that it believes it must submit a petition under Title 30 V.S.A., including 30 V.S.A. § 248, for approval of a Transmission or other solution to address a Reliability Deficiency in a

timely manner, this MOU does not bar said Vermont Utility from seeking such approval.

56. A Transmission-only option or NTA selected to address a Reliability Deficiency shall conform to the requirements of 30 V.S.A. § 218c(a)(1), with due consideration given to the analyses conducted under paragraph 40, above and the information and insights from the public involvement process conducted under paragraph 49, above.
57. Regarding allocation of costs of an alternative selected under paragraphs 50, 51, or 53, above:
 - a. The Parties agree that, for Transmission facility costs, the following cost allocation mechanisms shall apply:
 - i. Transmission facility costs shall be allocated in accordance with applicable tariffs (as may be amended from time to time) unless contained within a written agreement provided for under said tariffs, among the Affected Utilities.
 - ii. To the extent authorized under an applicable tariff (as may be amended from time to time), for Transmission facilities that otherwise would have their costs assigned on a specific basis for the first ten years of their lifespan, an agreement shall be proposed for the first ten years that allocates costs to the Affected DU or DUs. Nothing in this MOU is intended to change or to amend any existing cost allocation methodology respecting Transmission facilities.
 - iii. Unless otherwise provided in an applicable tariff (as may be amended from time to time), in any written agreement entered under paragraphs 57.a.i and 57.a.ii, above, due consideration shall be given to the following factors:
 - (1) Reliability benefits that account for the amount of post-contingency load served by the facilities that otherwise would have been unserved, which benefits shall be determined on the basis of the probability of various contingency events;
 - (2) Load served by the Transmission facility, giving due consideration to existing and planned supply sources in the area of the identified

Reliability Deficiency;

- (3) Changes in losses, other costs avoided by the Transmission facility, and other costs incurred because of the Transmission facility;
- (4) Changes in transmission wheeling payments benefits caused by the Transmission facility;
- (5) Previous and forecasted load growth that cause or contribute to the identified Reliability Deficiency;
- (6) Existing facilities that serve to mitigate, cause, or contribute to the identified Reliability Deficiency; and
- (7) Only as they relate to Transmission facility outages, distribution utility System Average Interruption Frequency (SAIFI) and Customer Average Interruption Duration (CAIDI) indices as filed with the Board.

- b. The Parties agree that, for Generation costs, the following cost allocation mechanisms shall apply:
 - i. The verifiable Reliability Costs associated with a Generation project shall be allocable as follows:
 - (1) If the Generation project defers or avoids the construction of Transmission facilities whose costs would have been shared by all Vermont DUs, the Reliability Costs shall be allocated to each DU in the same fashion as the costs of such avoided Transmission facilities would have been allocated, by tariff or written agreement, if such Transmission facilities had been constructed.
 - (2) If the Generation project defers or avoids the construction of Transmission facilities whose costs would have been borne exclusively by the Affected DU(s), the Reliability Costs shall be borne by the Affected DU(s) that would require construction of those facilities in the same proportion as the Affected DU(s) would bear the cost of such deferred or avoided Transmission facilities

under this MOU.

- ii. Costs of development, construction, and operation of a Generation project other than verifiable Reliability Costs shall be borne by the developer(s) of the project, which may or may not be a Vermont Utility. Payment of Reliability Costs to a Generation project may be discontinued in accordance with the relevant contract if the Generation project fails to meet contracted performance guarantees.
- c. The Parties agree that, for Supplemental DSM costs, the following cost allocation mechanisms shall apply:
 - i. The verifiable Reliability Costs associated with a DSM project shall be allocable as follows:
 - (1) If the DSM project defers or avoids the construction of Transmission facilities whose costs would have been shared among all Vermont DUs, the Reliability Costs shall be allocated to each DU in the same fashion as the costs of such avoided Transmission facilities would have been allocated, by tariff or written agreement, if such Transmission facilities had been constructed.
 - (2) If the DSM project defers or avoids the construction of Transmission facilities whose costs would have been borne exclusively by the Affected DU(s), the Reliability Costs shall be borne by the Affected DU(s) that would require construction of those facilities in the same proportion as the Affected DU(s) would bear the cost of such deferred or avoided Transmission facilities under this MOU.
 - ii. The net costs of DSM projects other than Reliability Costs shall be allocated to each DU in whose territory the DSM projects are implemented.
 - iii. Nothing in this paragraph qualifies the ability of a Vermont Utility to petition the Board to have Supplemental DSM funded through an adder to the EEC pursuant to paragraph 66, below.

- d. The parties agree that calculation of Reliability Costs for Generation or Supplemental DSM under paragraphs 57.b and 57.c, above, shall be performed by the Affected DU(s).
58. Nothing herein shall preclude VELCO or the Affected DUs from mutually agreeing to a cost allocation for any given project or component thereof that is different from the allocation that would result from this MOU nor shall anything herein bar any other Party or the Board from agreeing or disagreeing with such different cost allocation.

Section V: Appendices to Plan (Step 10)

59. VELCO will include available information, generated during Steps 7 through 9, on analyses and recommendation or selection of alternatives to address each Reliability Deficiency, as appendices to be incorporated into the Plan during the next planning cycle, initiated at least every three years pursuant to 30 V.S.A. § 218c(d)(4)(A). Such information will also be posted to the VSPC website when available.

Section VI: Particular Provisions regarding DSM Analysis and Implementation

60. The Parties agree that:
- a. Vermont Utilities are responsible for integrating cost-effective DSM resources into the analysis of solutions to Reliability Deficiencies and Affected DUs with input from VELCO shall decide whether to implement DSM options in the solution of such deficiencies. Nothing in this MOU or the approval thereof shall constitute a waiver by the Board or any Party of any right to disagree with a decision on whether to implement DSM options.
 - b. Upon approval by the Board of this MOU, and commencing no earlier than January 1, 2007, the existing role of the EEU shall be enhanced to provide services to the Transmission planning process of the Vermont utilities as described in paragraph 61, below. The services to be provided by the EEU hereunder are in addition to those offered under the Docket 5980 MOU and existing Board contracts or approvals with the EEU for System-wide Programs, and shall be delivered in a manner that does not negatively affect the services offered under said MOU and existing contracts or approvals. This MOU, and any approval thereof by the Board,

shall not restrict any authority of the Board subsequently to designate a different entity to provide the enhanced services described in paragraph 61, below.

- c. The services to be provided by the EEU under paragraph 61, below, shall be limited to the types of resources the EEU is authorized to acquire in connection with System-wide Programs. As of the execution of this MOU, those resources consist of energy efficiency. At such time as the EEU is authorized to acquire additional types of resources in connection with System-wide Programs (e.g., CHP), then such additional types of resources shall be included in the services to be offered under paragraph 61, below.
61. Commencing May 1, 2008, and by May 1 of every third year thereafter, the EEU shall provide the Board, Department, and Vermont Utilities with estimates, looking 20 years ahead, of DSM savings expected to be achieved from System-wide Programs. These estimates shall be based on the expected budget levels and service types for the System-wide Programs at the time of the estimate. To the extent practicable, such estimates shall be differentiated by DU service territory and by such regions of the state as the Board may direct after consultation with the DPS and the VSPC. Such estimates shall include information on their level of certainty and shall state the cost assumptions used in the estimate. From time to time the Board, after soliciting input from the Department and the VSPC, shall provide guidance to the EEU or other designated entity on the budget levels, and any assumptions relating to targeting investments to particular areas of the state, to use in performing these estimates.
62. With respect to a Reliability Deficiency identified in the Plan, the EEU shall provide the DU responsible for performing NTA Analysis with such information relevant to such analysis as is in the EEU's possession. Such provision shall be consistent with any requirements applicable to the EEU for protection of information from disclosure to an unauthorized entity or person.
63. The following factors shall be incorporated into the computation of benefits of DSM load reductions to address Reliability Deficiencies, in addition to other applicable factors:
 - a. In cases where the entire T&D expenditure is avoided, determine the total present

- value revenue requirements (PVRR) including O&M and net of any change in losses;
- b. In cases where the T&D expenditure is deferred, determine the value of delaying the project one year (the capital investment times the real-levelized carrying charge, plus O&M, net of any change in losses); and
 - c. Using (b), compute the total present value of cost deferral as a function of the number of years of deferral taking into account the unequal life times of the various measures subject to the analysis.
64. Starting in calendar year 2007, the Parties agree that the annual EEU budgets to be collected via the EEC shall be increased in order to include amounts determined by the Board to be necessary for the provision of the services to be performed by the EEU under paragraph 61, above. This paragraph shall not constitute a waiver by any Party of any right to contest on another basis a particular level of expenditure for the EEU or the amount determined to be necessary to provide services under paragraph 61, above.
65. Each Affected DU is responsible for the implementation of the cost-effective DSM options selected to solve or help solve a Reliability Deficiency. The Parties recognize that, under paragraph 41 of the Docket 5980 MOU, the DUs may purchase such implementation from the EEU.⁹
66. In the event that a Vermont Utility, following a competitive bid process, enters into a voluntary contract with an entity appointed or approved for implementation of programs under 30 V.S.A. § 209(d)(2) to perform DSM analysis with respect to a Reliability

⁹Paragraph 41 of the Docket 5980 MOU states:

Consistent with paragraph 37, above, and the EEU's obligation to deliver, at or near the planned budget levels and participation rates, uniform statewide Core Programs and other System-wide Programs as may be approved by the Board, at the request of a DU the EEU may provide increments to the Core Programs in DUP-identified target areas, and deploy additional strategic retrofit programs. The DU receiving such services will pay the incremental costs for added measures, marketing and coordination and the full cost of any additional programs.

Deficiency or to implement Supplemental DSM determined to be an appropriate component of a solution to address a Reliability Deficiency, the Parties agree that the Vermont Utility may petition the Board to approve funding such analysis or implementation of Supplemental DSM, or both, via a territory-specific adder to the EEC to be established by the Board after notice and opportunity for hearing. Such a petition also may be filed without the need for competitive bidding if the Vermont Utility is an entity appointed or approved for implementation of programs under 30 V.S.A. § 209(d)(2) and chooses to provide such services utilizing internal staff. If the identified Reliability Deficiency involves more than one Affected Utility, the Board may order a territory-specific adder to the EEC for each such utility that has requested under this paragraph to fund DSM analysis or Supplemental DSM through the EEC, with the full costs of the analysis or Supplemental DSM allocated among all the Affected Utilities in accordance with paragraph 57, above. Any Vermont Utility petitioning to fund such Supplemental DSM via the EEC shall, at the same time, petition for Board approval of the Supplemental DSM programs pursuant to 30 V.S.A. § 209(d). In reviewing a petition under this paragraph, the Board shall consider whether the Supplemental DSM to be funded meets the requirements of 30 V.S.A. §§ 209(d) and (e) and 218c, whether cost-sharing within the ISO-NE region is available for all or part of the Supplemental DSM, whether funding the Supplemental DSM through the EEC is justified to avoid adverse financial impacts on the petitioner or by limits on the petitioner's access to capital, whether all or some portion only of the Supplemental DSM should be funded through the EEC, whether a service territory adder to the EEC should include any incremental administrative, accounting, and verification costs that would be incurred if the petition were granted, and any other factor the Board deems relevant. The same factors, as applicable, shall be considered in the case of a petition under this paragraph with respect to the funding of DSM analysis. In the event that the Board approves the petition of a Vermont Utility under this paragraph, the DSM ratemaking rules and principles described in the first sentence of paragraph 33 of the Docket 5980 MOU

shall not apply to any expenditures funded by the EEC pursuant to such approval¹⁰, except that, unless an alternative regulation plan is implemented for CVPS under 30 V.S.A. § 218d, those ratemaking rules and principles will continue to apply to DSM programs and measures to address Reliability Deficiencies affecting CVPS that (a) remain the subject of area-specific collaboratives created under the Phase 2 Docket 6290 MOU or (b) were the subject of area-specific collaboratives under Dockets No. 6802 through 6804, provided that the associated DSM programs and measures are implemented no later than 24 months after the Board approves this MOU.

67. As part of negotiations otherwise conducted concerning a traditional rate case or alternative regulation under 30 V.S.A. § 218d, DPS agrees to discuss in good faith with the relevant DU, if that DU is investor-owned, the potential development of a decoupling mechanism that is designed to decrease the extent to which the financial success of the utility between rate cases is linked to increased sales to end use customers and may be threatened by decreases in those sales. Nothing in this paragraph shall limit the rights of a DU or other Party to seek the implementation of a decoupling mechanism, or to seek or proceed with implementation of a solution to a Reliability Deficiency, with or without approval of a decoupling mechanism. Nothing in this paragraph authorizes a DU to decline to select or implement a solution to a Reliability Deficiency based on the absence of such a decoupling mechanism.
68. In the event that cost-sharing within the ISO-NE region becomes available for any costs under this MOU that will or may be borne by the EEC, the Parties agree that:
- a. the EEC shall not be used to fund that portion of the cost of Supplemental DSM, of the activities contemplated under paragraphs 61, above, or of DSM analysis

¹⁰Paragraph 33 of the Docket 5980 MOU states:

Accounting and ratemaking for a DU's DUP-related DSM activities shall be performed under existing DSM ratemaking rules and principles, including but not limited to the ACE mechanism. Prudence, used and usefulness and other ratemaking concepts shall apply as defined in Docket No. 5270.

described in paragraph 66, above, for which regional cost-sharing is available and that is beyond Vermont's share of any such regionalized costs; and

- b. to the extent that such regional cost-sharing becomes available for activities under this MOU for which EEC funds have been expended, the amounts available through such regional cost-sharing shall be credited to the benefit of the EEC under such approach as the Board may approve.

Section VII: The VSPC

- 69. Approval by the Board of this MOU shall establish the VSPC. VELCO shall provide administrative staff support to the VSPC and such staff shall be responsible in a timely manner to schedule VSPC meetings, prepare meeting agendas, minutes, and reports required by Section VII of this MOU, create and maintain a VSPC website, and perform those other administrative tasks necessary to the functions assigned to the VSPC.

Purposes of the VSPC

- 70. The purposes of the VSPC shall be as follows:
 - a. Coordinate among the Vermont Utilities in the provision of information for and comments on the Plan in accordance with Steps 1 through 6, above.
 - b. Facilitate and support the full and fair consideration by Vermont utilities of NTAs in the resolution of Reliability Deficiencies, including but not limited to those tasks assigned to the VSPC under Steps 7 through 10, above.
 - c. Provide transparency and accountability to the Vermont Transmission planning process through open meetings and regular reporting to the Board and DPS on the status of the identification of Reliability Deficiencies, and the analysis, selection, and implementation of solutions to Reliability Deficiencies.
 - d. Encourage and facilitate the resolution of disputes regarding the determination of Affected Utilities with respect to a Reliability Deficiency or a proposed resolution of a Reliability Deficiency, and disputes among Affected Utilities relating to the selection of options to address a Reliability Deficiency.
 - e. To encourage and facilitate, in conjunction with other available methods and processes, the informed involvement of the public in Vermont electric

Transmission planning in general and in the consideration of specific projects.

- f. To recommend to the Board and DPS ways in which the Transmission planning process outlined in this MOU might be improved.
- g. To the extent agreements are not reached, to take advisory votes on Affected Utility determinations and solutions to Reliability Deficiencies and their cost allocation and associated implementation strategy.
- h. To take votes that bind the voting participants in the VSPC on whether a Reliability Deficiency is Bulk System, Predominantly Bulk System, Subsystem, or Predominantly Subsystem (in the event VELCO and the DUs cannot agree), on the identification of a Lead DU to conduct detailed NTA Analysis for a Reliability Deficiency (in the event the Affected DUs cannot agree), on whether to conduct an executive session, and on the adoption of rules of procedure.

Participation in the VSPC

- 71. Each Vermont Utility shall participate in, and appoint a representative to, the VSPC and may designate one alternate who may act fully in the absence of the designated representative. Each such representative or alternate shall have the authority to cast a vote on behalf of the Vermont Utility that he or she represents relative to matters arising in connection with paragraphs 70.g and 70.h, above.
- 72. The Board shall appoint three persons for terms of five years each to serve as voting participants on the VSPC. One such person shall be appointed to articulate the interests of residential consumers; one such person shall be appointed to articulate the interests of commercial and industrial consumers; and one such person shall be appointed to articulate the interests of environmental protection. These representatives shall be empowered to participate in all meetings and shall function in an independent capacity, and their positions on a matter shall not bind the Board.
- 73. Each entity appointed by the Board under 30 V.S.A. § 209(d) to deliver System-wide Programs shall appoint a representative to the VSPC to be a non-voting participant. However, where such an entity is a DU, the DU shall be represented by its designated representative or alternate pursuant to paragraph 71, above. Additionally, any entity

appointed by the Board pursuant to 30 V.S.A. § 8005(b) shall appoint a representative to the VSPC to be a non-voting participant.

74. The DPS agrees to participate, through agents or employees, in the VSPC, as a non-voting participant, and shall be empowered to participate in all meetings. The Parties agree that, in the event the Department finds it necessary to retain personnel or entities outside the Department to assist it with respect to matters arising under this paragraph, the expenditures for such personnel or entities shall be eligible for allocation to the Vermont Utilities in accordance with the procedures set forth in 30 V.S.A. § 21, subject to the right of a Vermont Utility to petition the Board concerning the reasonableness, necessity and allocation of such expenditures. General costs of DPS participation in the VSPC shall be billed to all Vermont Utilities proportionally. To the extent identifiable, costs associated with DPS participation through the VSPC in specific project development efforts shall be allocated only to the Affected Utilities.

Meetings and Rules of Procedure

75. The meetings of the VSPC and any subcommittee thereof shall be open meetings conducted in accordance with 1 V.S.A. §§ 310-313; however:
- a. The VSPC and any subcommittee thereof shall provide at least 48 hours' notice for special meetings;
 - b. The VSPC and any subcommittee thereof may not hold emergency meetings unless a protocol for such meetings is agreed upon among all voting and non-voting participants to the VSPC;
 - c. The VSPC is not a judicial or quasi-judicial body and may not hold private deliberations;
 - d. The VSPC or any subcommittee thereof may conduct an executive session on majority vote;
 - e. The VPSC or any subcommittee thereof may conduct an executive session to consider the entirety of any document that meets one or more of the exemptions listed in 1 V.S.A. § 317(c); and
 - f. In any executive session, attendance shall include both the voting and non-voting

participants described in paragraphs 71 through 74, above.

76. Records and documents of the VSPC shall be publicly available; however, the VSPC may withhold from disclosure records and documents that meet one or more of the exemptions listed in 1 V.S.A. § 317(c), unless the Board compels disclosure thereof after notice and opportunity for hearing. The Parties agree that a Board decision under this paragraph constitutes a final order of the Board pursuant to 30 V.S.A. § 12 (entitled "Review by supreme court").
77. The Parties intend to incorporate no other provisions of subchapters 2 and 3 of Title 1 of the V.S.A. except those specifically referenced in this Section VII of the MOU.
78. Within nine months of Board approval of this MOU, the VSPC shall submit, as an informational filing to the Board, a proposed protocol regarding management of information subject to the exemptions at 1 V.S.A. § 317(c), including but not limited to non-disclosure by the VSPC of information subject to federal Critical Energy Infrastructure Information regulations that is discussed or disclosed to the VSPC. Each VSPC participant and all Parties shall be provided notice and a copy of the information management protocol at the time it is filed with the Board. Following an opportunity for comment and requests for technical workshops or hearings, the Board may direct that modifications may be made to the protocol. At any time, each VSPC participant and Party may seek Board review of the information management protocol, and the Board may initiate such review on its own motion. All voting and non-voting participants in the VSPC shall have access to the information withheld from disclosure under this MOU in accordance with the terms of the protocol.
79. The Department may, from time to time, audit the information withheld from disclosure under this MOU and may, with notice to all VSPC participants, seek Board review of whether modification should be made to the information allowed under this MOU to be withheld from disclosure.
80. The initial meeting of the VSPC shall be held within 120 days of the Board's approval of this MOU; topics of the meeting shall include, without limitation, frequency and location of its regular meetings (which shall not be less than twice a year), provisions for publishing

meeting notices and other materials for release to the public that meet the requirements of this MOU, and the development of rules of procedure necessary to fulfill the responsibilities of the VSPC. Within nine months of Board approval of this MOU, the VSPC shall submit such rules of procedure as an information filing to the Board. Each VSPC participant and all Parties shall be provided notice and a copy of the rules at the time they are filed with the Board. Following an opportunity for comment and requests for technical workshops or hearings, the Board may direct that modifications may be made to the rules. At any time, each VSPC participant or Party may seek Board review of the VSPC rules of procedure, and the Board may initiate such review on its own motion.

81. The time, place, and agenda for all meetings of the VSPC and any subcommittees thereof shall be published, and posted on the VSPC website, in advance of the meetings.
82. Minutes of the meetings of the VSPC and any subcommittees thereof shall be posted on the VSPC website and shall be publicly available.
83. Links to the VSPC website shall be maintained on the websites of the PSB, DPS, VELCO, CVPS, GMP, BED, VPPSA and any other DUs that regularly maintain websites, as well as that of VELCO's OASIS site.
84. The Parties agree that the current Vermont Utility Planning Group, to the extent that it continues to exist, will provide technical support to the VSPC.

Affected Utilities, Advisory Votes, and Dispute Resolution

85. The VSPC shall refer each Reliability Deficiency identified in the Plan, or otherwise through the process described in Steps 1 through 6, above, to the Affected Utility or Utilities identified in Step 7. The Lead DU under any project decision-making structure shall regularly report the status of efforts to analyze, select, and implement solutions to the Reliability Deficiency, and to allocate the costs of those solutions.
86. To the extent that issues within paragraphs 53 and 70.g, above, are not resolved in a timely manner, the VSPC promptly shall hold advisory votes on the issue at hand.
87. Where issues among a group of Affected Utilities relative to a Reliability Deficiency are unresolved, the Affected Utilities shall consider the use of mediation or binding arbitration to resolve disputes, in order to timely meet the decision-making obligations contained in

paragraphs 50 and 51, above.

Voting

88. Votes on matters arising under paragraphs 70.g and 70.h shall be recorded by sector in accordance with the VSPC Vote Tally Sheet appended to this MOU as Attachment E. The minutes of a meeting at which a vote is cast shall summarize the event and attach the tally sheet for the vote. With respect to all matters arising under paragraph 70.h, above, except the adoption or modification of rules of procedure for the VSPC, a majority vote in three of the five sectors identified in the VSPC Vote Tally Sheet shall be required, and shall be sufficient, to decide the matter. With respect to matters arising under paragraph 70.h, above, concerning the adoption or modification of VSPC rules of procedure, a majority vote in four of the five sectors identified in the VSPC Vote Tally Sheet shall be required, and shall be sufficient, to decide the matter. Votes on all matters listed under paragraph 70.h, above, shall bind the voting participants in the VSPC unless a dispute is brought to the Board under paragraph 111, below, within 30 days of the vote. To the extent that the VSPC is unable to achieve a majority vote on the adoption of initial rules of procedure in time to meet the deadline for submission of such to the Board under paragraph 80, above, the VSPC shall, by such deadline, submit the dispute to the Board for resolution under paragraph 111, below. Nothing in this paragraph, or in this MOU generally, shall be deemed to lessen or compromise the jurisdiction of the Board under title 30 of the Vermont statutes. Should any Court or other tribunal having jurisdiction conclude that the voting mechanisms of this MOU are inconsistent with Board authority, the validity of the remaining provisions of this MOU shall not be affected, and the parties shall cooperate to revise the role of the VSPC in such manner as will preserve its effectiveness to the fullest possible extent.

Reporting

89. Annually by January 15, commencing in 2008, the VSPC shall provide a report to the Board and Department consisting of at least the following:
- a. A report on each Reliability Deficiency identified to date in the Plan or through the process described in Steps 1 through 6, above, including:

- i. The status of NTA Analysis for the Reliability Deficiency.
 - ii. The status of decision-making on the selection of alternative(s) to address the Reliability Deficiency.
 - iii. The status of decision-making on the allocation of costs of the alternative to address the Reliability Deficiency.
 - iv. The strategy chosen for implementing the alternative selected to address the Reliability Deficiency.
 - v. The status of implementation of the alternative(s) to address the Reliability Deficiency.
 - vi. All documentation pursuant to paragraph 86, above, relating to advisory votes within the preceding calendar year.
- b. A statement of the dates and locations of all VSPC meetings held during the preceding year.
90. Each report prepared under paragraph 89, above, shall be posted on the VSPC website.

Section VIII: Public Involvement in Transmission Planning

91. The Parties agree that the purpose of public involvement in Transmission planning is to have a process that provides an effective means to obtain informed input from affected persons and the public generally and to ensure that all stakeholders have an early, ongoing, and meaningful opportunity to influence the shape of electric reliability planning and projects to meet reliability needs in Vermont economically.
92. The Parties agree to the following principles for conducting and structuring public involvement processes:
- a. Involve and integrate the public throughout the planning and decision-making process, both in the development of each plan and in the development of specific projects and their alternatives.
 - b. Structure public involvement to ensure that all affected and interested stakeholders can participate, recognizing time, geographic, and transportation barriers to participation.
 - c. Incorporate an invitation mechanism that ensures broad representation rather than

relying upon self-selection, while still including committed advocates in the processes.

- d. Use multiple techniques and communication channels to address the needs of different audiences, including those that are and are not actively engaged.
 - e. Utilize public involvement techniques that provide an opportunity for information exchange and dialogue, not simply testimony.
 - f. Develop a wide range of readable, credible information resources to support any and all outreach processes. Materials should include those written for the lay person's understanding of electric systems.
 - g. Ensure easy access to the process, and consider using multiple processes, including electronic tools (such as on-line dialogues) to maximize opportunities for participation.
 - h. Be clear with the public about what type of involvement is being offered, and how their input will be used in decision-making. This includes education regarding what opportunities are available to the public to influence decision-making. It also includes information regarding factors pertinent to the decision-making process such as: state obligations for utility service at minimum levels of reliable customer service, timing necessary to request and gain approval from the Board and other permitting agencies, rate and bill impacts, site-specific environmental concerns, aesthetics, and regional and federal obligations regarding reliability levels or economic Transmission considerations.
 - i. Conduct outreach in a manner that strives for direct and effective communication at all steps of the process with all individuals who may be affected by projected project impacts (including siting, environmental concerns, aesthetic, and cost/rate impacts).
 - j. Public involvement processes need to be objective, balanced, and fair.
93. Vermont utilities engaged in the Transmission planning process outlined in 30 V.S.A. § 218c(d) and this MOU shall incorporate the foregoing principles and goals into that process, including but not necessarily limited to Steps 5 and 8, above. In doing so,

Vermont utilities are encouraged to use the International Association of Public Participation's "Public Participation Spectrum," included as Attachment D to this MOU, to help select, and then explain, the appropriate approaches to public involvement, and techniques to be utilized in each circumstance.

94. With respect to the columns on Attachment D, the Parties agree to seek ways to move from the more traditional approaches of "Inform" and "Consult" to "Involve" and "Collaborate."
95. The Parties recognize that one or more statewide public involvement processes on energy planning are in the development stages and may lead to ongoing public engagement in energy issues. To the extent possible, those processes should include Transmission issues. The public involvement processes used specifically in the Transmission planning process under 30 V.S.A. § 218c(d) and this MOU should complement the statewide process where feasible.
96. The Parties encourage the Board to incorporate the purpose and principles contained in paragraphs 91 through 94, above, in any public hearing process it conducts relating to solutions to Reliability Deficiencies.
97. The Parties agree to work together through the VSPC in an attempt to reach agreement on actions to implement the foregoing goals and principles within the Transmission planning process outlined in this MOU, accounting for the experience gained with public involvement processes including, but not limited to, the engagement by VELCO and CVPS of external facilitators and the Department's activities under Act No. 208 of the 2005 biennium with respect to public engagement in power planning.

Section IX: Act 250 Ability-to-Serve Letters

98. If a DU that is an Affected DU for one or more Reliability Deficiencies in the Transmission Plan then in effect is requested to issue an ability-to-serve letter pertaining to an application under 10 V.S.A. Chapter 151 ("Act 250"), in its letter the DU shall at a minimum:
 - a. Identify and describe each Reliability Deficiency by which the project subject to the relevant Act 250 application may be affected.
 - b. Identify and describe the expected date at which each such Reliability Deficiency is

anticipated to occur.

- c. State any restrictions that the Reliability Deficiencies may place on the DU's ability to serve the development or subdivision.
- d. Identify the net electrical impacts of the development or subdivision for which service would be rendered.
- e. Encourage the recipient of the letter to explore cost-effective opportunities for service through Generation or DSM.
- f. Identify available Generation or DSM opportunities and incentives of which the DU is aware, including but not necessarily limited to Generation or DSM alternatives being considered or implemented pursuant to this MOU; and
- g. Encourage the recipient of the letter to contact the EEU and any entity appointed by the Board pursuant to 30 V.S.A. § 8005(b).

Section X: Further Evaluation in 2009

99. Between July 1 and December 31, 2009, the Parties agree to convene one or more meetings for the purpose of evaluating the planning structure set forth in this MOU in light of experience to date and, if appropriate, recommending that the Board modify that structure. All VSPC participants will be invited to attend any such meetings. The Parties will report to the Board by December 31, 2009 concerning the evaluation described in this paragraph. In the event that the evaluation process or report contemplated under this paragraph is not completed by December 31, 2009, a Party may request an extension from the Board.

Section XI: General Provisions

100. DUs shall incorporate, in their IRPs, the Plan and those results of the planning process described in this MOU that are pertinent to the Reliability Deficiencies that affect their service territories.
101. Unless a particular provision of the Docket 5980 MOU or any agreements approved by the Board in Docket 6290 is specifically described herein as being amended, with the amendment particularly stated, nothing in this MOU is intended to alter or amend the requirements of the Docket 5980 MOU or any agreements approved by the Board in Docket 6290.

102. With respect to Reliability Deficiencies that are the subject of ongoing area-specific collaboratives under the Phase 2 Docket 6290 MOU involving Board Docket no. 6801 (Tafts Corner), and the City of Burlington waterfront, the only provisions of this MOU that shall apply, to the extent otherwise applicable, are Steps 1, 2, 4 through 6, 10, and paragraph 66, above. All other area-specific collaboratives created to date under the Phase 2 Docket 6290 MOU shall be terminated upon approval by the Board of this MOU, except for the collaboratives in dockets no. 6805 (the Southern Loop)¹¹, and 6806 (Stratton area).
103. The Parties recognize that analysis and evaluation is well under way for multiple Reliability Deficiencies related to the Southern Loop study area. This MOU shall not require the modification of analysis already completed for the Reliability Deficiencies that are the subject of area-specific collaboratives in dockets no. 6805 and 6806, to the extent those analyses remain up to date. This MOU shall not require revisiting or reopening of the agreement filed on June 13, 2005 in docket no. 6806. The public involvement processes presently being conducted by CVPS and VELCO with respect to the Southern Loop are deemed to satisfy paragraph 49 and Section VIII of this MOU as they would pertain to the underlying Reliability Deficiencies. Upon approval of this MOU, CVPS and DPS will call a meeting of the collaboratives in dockets no. 6805 and 6806 to discuss the extent to which they should continue in light of such approval and, if so, on what terms.
104. In lieu of further semi-annual meetings under paragraph 9 of the Phase 2 Docket 6290 MOU, on or before September 10, 2007, the Department will convene a meeting to which will be invited all signatories to this MOU, the Phase 2 Docket 6290 MOU and participants in the VSPC. The agenda for the meeting shall include whether the participants can agree to the implementation of changes to Attachments A, B, and C to this MOU, and to the DSM Scoping Tool described in paragraph 25, above. The Parties agree

¹¹Including the bulk or predominantly bulk components of the potential solution including the 345 kV line from the Vermont Yankee substation (T4) to Coolidge, and associated T4 replacement, West Dummerston Substation Construction and Coolidge Substation upgrades including a reactive power device.

that, in the event the Department finds it necessary to retain personnel or entities outside the Department to assist it with respect to matters arising under this paragraph, the expenditures for such personnel or entities shall be eligible for allocation to the Vermont Utilities in accordance with the procedures set forth in 30 V.S.A. § 21, subject to the right of a Vermont Utility to petition the Board concerning the reasonableness and necessity of such expenditures.

105. Any informational or compliance filings required by this MOU shall be served on all Parties, who shall be provided an opportunity to comment and request a hearing.
106. A DU shall be permitted to book, defer and seek recovery in a subsequent rate case for its incremental costs to implement the terms and conditions of this MOU, subject to the following conditions:
 - a. The DU seeks and obtains an accounting order from the Board specifying the purpose and expected duration of each of the expenditures and the actual or estimated incremental amount of costs anticipated to be deferred and the total amount of all costs to be incurred, with an itemization of the costs for each expenditure;
 - b. The deferred incremental costs in paragraph 106.a, above, are not otherwise being recovered by the DU through rates and will not be capitalized with a project cost that will be subsequently recovered in rates. Examples of incremental costs under this paragraph include but are not necessarily limited to the DU's additional staffing costs, consulting costs, and possible incentive payments for in-state Generation which qualify as Reliability Costs;
 - c. If the benefits from actions undertaken to implement this MOU extend beyond the DU seeking an accounting order, the DU shall disclose other beneficiary DUs and the amount of the costs allocated to each such entity. In no event may a DU recover in rates costs reimbursed by other entities. In addition, the DU shall not record reimbursable costs as deferrals on its books of account; such amounts shall be recorded as Accounts Receivable with the credit chargeable to the original incurrence (expense or capital) accounts;

- d. The incremental costs that are the subject of the request for an accounting order are anticipated to exceed \$100,000. However, if after approval of the accounting order, the actual incremental incurred costs are less than was originally anticipated by 10 percent or more and are less than \$100,000, the incremental costs shall be expensed; and
 - e. Prudence, used and useful and other ratemaking principles shall apply when the DU requests recovery of the deferred costs in future rates.
 - f. This paragraph 106 shall be effective with Board approval of this MOU and shall be revisited no later than July 1, 2009 to determine if it should be continued or discontinued.
107. The Department will support issuance of Board orders and findings approving this MOU subject to the Department's obligations under Title 30 of the Vermont Statutes Annotated.
108. In reaching this MOU, the Parties have made specific compromises that they would not have been willing to make but for the benefit of this negotiated resolution. Accordingly, in the event that the Board fails to approve this Memorandum of Understanding without substantive modification or condition, or acts to overrule or disapprove any portion hereof, each such Party agrees that its agreement set forth herein may terminate, if such Party so determines in its sole discretion, and each shall have the same rights as each would have had absent this MOU.
109. The Parties agree that this MOU shall not be construed by any Party or tribunal as having precedential impact on any future proceeding involving the Parties, except as necessary to implement this MOU (including the specific modifications made herein to the Docket 5980 MOU or the Phase 2 Docket 6290 MOU) or to enforce an order of the Board resulting from this MOU.
110. The Parties acknowledge that Board approval of this MOU does not bar the Board, in a subsequent docket, from modifying the Transmission planning structure or terms described in this MOU after providing notice and opportunity for hearing to all Parties.
111. The Parties acknowledge the Board's ongoing jurisdiction to resolve disputes arising under this MOU.

112. The Parties recognize that VELCO seeks to design, operate and plan its Transmission system in accordance with applicable federal and regional reliability criteria. The Parties intend that nothing in this MOU contradicts obligations of VELCO under federal law including, but not limited to, requirements related to standards of conduct and release of information pertaining to Vermont Utilities' Transmission facilities via VELCO's Open Access Same-time Information System (OASIS) and the Parties are aware of nothing in this MOU that contradicts those obligations. Nothing in this MOU or the approval thereof constitutes a waiver by any Party or the Board of any right to contest or disagree with the applicability or lawfulness of any federal or regional requirements. To avoid contradicting requirements under federal laws or rules, VELCO may consider structuring its involvement in Steps 8 and 9 of this MOU in a manner that avoids contradicting such requirements. Nothing in this paragraph is intended to reduce or expand the jurisdiction of the Board or Department including but not limited to their regulatory oversight of the Vermont Utilities. Should any court or tribunal of competent jurisdiction determine that all or some of this MOU contradicts VELCO's obligations under federal law, the rights of the Parties shall be the same as would occur, under paragraph 108, above, if the Board determined not to approve this MOU without substantial modification or condition, or to overrule or disapprove any portion thereof.

Section XII: Definitions

113. In this document, the following definitions apply:
- a. "Affected DU" means an Affected Utility that is a DU.
 - b. "Affected Utility" means:
 - i. During Steps 1 through 6, above, a Vermont Utility, the facilities or load of which cause, contribute to, or would experience an impact from, a Reliability Deficiency, and
 - ii. During Steps 7 through 9, above, a Vermont Utility, the facilities or load of which cause, contribute to, or would experience an impact from, a Reliability Deficiency, or in whose territory a proposed solution to a Reliability Deficiency would be implemented.

- c. "BED" means the City of Burlington Electric Department.
- d. "Board" or "PSB" means the Vermont Public Service Board.
- e. "Bulk Transmission System" means those facilities that are PTF or HTF and also includes those non-PTF facilities in Vermont operating at 115 kV and above, including any grandfathered 69 kV facilities.
- f. "CHP" means combined heat and power facilities, that in turn are defined as facilities that produce both electric power and thermal energy from a single process and meet the requirements of 30 V.S.A. § 8002(5) respecting percentages of total recovered energy, design system efficiency, and air quality standards of the Vermont Agency of Natural Resources.
- g. "CVPS" means Central Vermont Public Service Corporation.
- h. "Docket 5980 MOU" means the memorandum of understanding approved by Board order of September 30, 1999 in PSB Docket No. 5980.
- i. "DPS" or the "Department" means the Vermont Department of Public Service.
- j. "DSM" means demand-side management, including but not limited to energy efficiency, energy conservation, load management, and demand response.
However, when used in connection with the EEU, "DSM" is limited to those types of demand-side resources that the Board may from time-to-time authorize the EEU to acquire in connection with System-wide Programs.
- k. "DU" means electric distribution utility.
- l. "DUP" means distributed utility planning.
- m. "DUP Guidelines" means the "Guidelines for Distributed Utility Planning" approved by order of March 7, 2001 in Docket No. 6290 and appended to this MOU as Attachment D.
- n. "EEC" means the Energy Efficiency Charge established by the Board from time to time pursuant to 30 V.S.A. § 209(d)(3) and Board Rule 5.300.
- o. "EEU" means an energy efficiency utility established under the Board's order of September 30, 1999 in PSB Docket No. 5980 and appointed under 30 V.S.A. 209(d)(2) or hereafter appointed by the Board under that section. The term

specifically includes Efficiency Vermont and BED so long as they have Board approval to implement System-wide Programs.

- p. "Equivalence" means that an option consisting of non-transmission, and potentially Transmission, elements eliminates violations of design and operating criteria for the power system to approximately the same level as the Transmission-only option that otherwise would be constructed to eliminate those violations, for the same set of studied system conditions, over the time the likely Transmission-only option would be avoided or deferred. This determination of equivalence will take into account availability of all facilities being considered to address the Reliability Deficiency.
- q. "Generation" means a facility that produces electric energy from other energy sources. The term includes but is not limited to distributed generation.
- r. "GMP" means Green Mountain Power Corporation.
- s. "HTF" means "Highgate transmission facilities" as defined in Section I.1.37 of the ISO-NE Open Access Transmission Tariff.
- t. "IRP" means Integrated Resource Plan prepared pursuant to 30 V.S.A. § 218c(a) and (b).
- u. "ISO-NE" means ISO New England, Inc., the independent system operator of Bulk Transmission System facilities in New England.
- v. "Lead DU" means an Affected DU selected by agreement of the Affected Utilities, or in accordance with paragraph 70.h, above, absent such agreement, in order to serve the functions of coordination, ensuring performance of NTA Analysis and facilitating necessary decision-making, and primary contact point for the Reliability Deficiency for which the Lead DU has been selected. Nothing in the selection or activities of a Lead DU shall be deemed to lessen the rights or responsibilities of any other DU under applicable law or this MOU.
- w. "Long-range Transmission Plan" or "Plan" means the plan prepared under 30 V.S.A. § 218c(d)(1)-(4) and in accordance with Steps 1 through 6 and 10 of this MOU. Except as used under Steps 1 through 6 and 10 of this MOU, the term

includes the plan required to have been filed by July 1, 2006 under 30 V.S.A. § 218c(d)(1).

- x. "MOU" means this Memorandum of Understanding among the Parties, except where used as part of the phrase "Docket 5980 MOU" or "Phase 2 Docket 6290 MOU."
- y. "NTA" means non-transmission alternative and includes Generation and/or DSM measures that may defer or avoid construction of Transmission system facilities.
- z. "NTA Analysis" means an analysis to identify cost-effective and viable NTAs to address a Reliability Deficiency that provide Equivalence, compare those alternatives to the likely Transmission-only alternative(s) to address the deficiency, and evaluate which alternative is the best choice to address the deficiency. Such identification and analysis also shall include viable alternatives to address the deficiency that encompass both Transmission and non-transmission elements.
- aa. "Parties" means the Department and those entities on behalf of which a signature appears at the end of this document.
- bb. "Phase 2 Docket 6290 MOU" means the Memorandum of Understanding approved by order of January 15, 2003 in Docket No. 6290.
- cc. "Preliminary NTA Analysis" means a simple screening analysis to determine if a detailed NTA Analysis should be conducted, as further defined in paragraphs 21 and 25 of this MOU.
- dd. "PTF" means pool transmission facilities as defined in section II.49 of the ISO-NE Open Access Transmission Tariff.
- ee. "Predominantly Bulk System" means a set of additions or modifications to the Transmission system to address a Reliability Deficiency, at least 50 percent of the elements of which are Bulk Transmission System, when examined on a forecasted cost basis. For the purpose of determining the design and specification for transformers that connect to the Bulk Transmission System, and not for the purpose of determining ownership or cost allocation, such transformers will be considered part of the Bulk Transmission System. Where a transformer steps down to a distribution voltage, VELCO shall consult with the Affected DU or DUs to

determine the applicable reliability criteria.

- ff. "Predominantly Subsystem" means a set of additions or modifications to the Transmission system to address a Reliability Deficiency, less than 50 percent of the elements of which are Bulk Transmission System, when examined on a forecasted cost basis. For the purpose of determining the design and specification for transformers that connect to the Bulk Transmission System, and not for the purpose of determining ownership or cost allocation, such transformers will be considered part of the Bulk Transmission System. Where a transformer that connects to the Bulk Transmission System steps down to a distribution voltage, VELCO shall consult with the Affected DU or DUs to determine the applicable reliability criteria.
- gg. "REC" means a Renewable Energy Credit as defined by, and that meets, the renewable generation requirements of one or more New England states.
- hh. "Reliability Costs," when used in the context of allocating the costs of an NTA that is part of resolving a Reliability Deficiency, means:
 - i. For Generation, that portion of the cost of the Generation, identified through a market test or other method, that exceeds the amount the developer of the Generation can recoup through sales to or participation in the market; and
 - ii. For DSM, that portion of the cost of a DSM program, if any, that is at or above the avoided costs that are to be used in NTA Analysis in accordance with paragraph 45, above, excluding the Transmission and distribution component of those avoided costs, and taking into account all market benefits (e.g., regional network transmission services, LICAP) associated with the load reduction not already accounted for in those avoided costs, if any.
- ii. "Reliability Deficiency" or "Reliability Deficiencies" means an existing or forecasted violation, pre- or post-contingency, of applicable Bulk Transmission System or Subsystem design or operating criteria, with consideration given to the reliability and availability of individual system elements.

- jj. "RFP" means request for proposals.
- kk. "Subsystem" means Transmission facilities that do not meet the definition of Bulk Transmission System. Subsystem does not include distribution facilities.
- ll. "Supplemental DSM" refers to DSM investments that are in addition to those made pursuant to the Board's regular EEC budget-setting cycle under 30 V.S.A. § 209(d).
- mm. "System-wide Programs" means the DSM programs being delivered under the EEU structure pursuant to the Board's regular budget-setting cycle under 30 V.S.A. § 209(d), and does not include any additional DSM offered or required to be offered under DUP or to address a Reliability Deficiency under this MOU.
- nn. "Transmission" means facilities for which approval is required under 30 V.S.A. § 248 or would be required under that statute if built today, except for Generation and natural gas facilities within the meaning of 30 V.S.A. § 248(a)(3)(A). The term does not include an electric line that is subject to a declaratory ruling by the Board that such line constitutes distribution, for as long as that ruling remains in effect.
- oo. "T&D" means Transmission and distribution.
- pp. "Vermont Utility" or "Vermont Utilities" includes VELCO and the DUs.
- qq. "VELCO" means Vermont Electric Power Company, Inc. and Vermont Transco LLC.
- rr. "VPPSA" means Vermont Public Power Supply Authority.
- ss. "VSPC" means the Vermont System Planning Committee described in Section VII of this MOU.

Section XIII: List of Attachments

- A – Docket 6290 Phase II MOU Attachment A-3
- B – Docket 6290 Phase II Attachment B: Selection Procedure, version 28
- C – Docket 6290 DUP Guidelines dated September 22, 2000
- D – Public Participation Spectrum Chart
- E – Vote Tally Sheet
- F – Transition Plan

Section XIV: Signatures

Dated at Montpelier, Vermont this ____ day of September, 2006.

VERMONT DEPARTMENT OF PUBLIC SERVICE

By _____
Aaron Adler, Special Counsel

Dated at Benson, Vermont this ____ day of September, 2006.

CENTRAL VERMONT PUBLIC SERVICE CORPORATION

By _____
Morris L. Silver, Esq.

Dated at Colchester, Vermont this ____ day of September, 2006.

GREEN MOUNTAIN POWER CORPORATION

By _____
Donald J. Rendall, Jr., General Counsel

Dated at Burlington, Vermont this ____ day of September, 2006.

CITY OF BURLINGTON ELECTRIC DEPARTMENT

By _____
Barbara L. Grimes, General Manager

Dated at Johnson, Vermont this ____ day of September, 2006.

VERMONT ELECTRIC COOPERATIVE, INC.

By _____
David Hallquist, Vice President and Executive Manager

Dated at East Montpelier, Vermont this ____ day of September, 2006.

WASHINGTON ELECTRIC COOPERATIVE, INC.

By _____
Avram Patt, General Manager

Dated at _____, Vermont this ____ day of September, 2006.

VERMONT MARBLE POWER DIVISION OF OMYA, INC.

By _____
Lane Shaw, General Manager

By _____
Barbara Cosgrove, Assistant Secretary, Omya Inc.

Dated at Montpelier, Vermont this ____ day of September, 2006.

ASSOCIATED INDUSTRIES OF VERMONT

By _____
Sandra Dragon, President

Dated at Rutland, Vermont this ____ day of September, 2006.

VERMONT ELECTRIC POWER COMPANY, INC. AND
VERMONT TRANSCO, LLC

By _____
Thomas Wies, General Counsel

Dated at Montpelier, Vermont this ____ day of September, 2006.

BARTON VILLAGE, INC. ELECTRIC DEPARTMENT, ENOSBURG FALLS
ELECTRIC LIGHT DEPARTMENT, TOWN OF HARDWICK ELECTRIC
DEPARTMENT, VILLAGE OF HYDE PARK ELECTRIC DEPARTMENT,
JACKSONVILLE, INC. ELECTRIC DEPARTMENT, JOHNSON ELECTRIC LIGHT
DEPARTMENT, LUDLOW ELECTRIC LIGHT DEPARTMENT, LYNDONVILLE
ELECTRIC LIGHT DEPARTMENT, MORRISVILLE WATER & LIGHT
DEPARTMENT, NORTHFIELD ELECTRIC DEPARTMENT, ORLEANS ELECTRIC
DEPARTMENT, TOWN OF READSBORO ELECTRIC DEPARTMENT, STOWE
ELECTRIC DEPARTMENT, AND SWANTON ELECTRIC DEPARTMENT

By _____
David John Mullett, Esq., Their Attorney

Dated at _____, Vermont this ____ day of _____, 2006.

NAME OF PARTY (print):

Signature _____

Print name, title: _____